

Message Text

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ACTION NEA-10

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S E C R E T ABU DHABI 2006

E.O. 11652: GDS
TAGS: EFIN, EAID, EG, US
SUBJECT: ARAB AID TO EGYPT

REFS: (A) STATE 175732, (B) ABU DHABI 1940, (C) KUWAIT 4063

1. I CALLED ON MUHAMMAD HABRUSH JULY 19 TO INQUIRE ABOUT RESULTS OF JULY 12 GODE GOVERNORS' MEETING IN KUWAIT. HABRUSH WAS UAE REPRESENTATIVE, NOT MINISTER OF FINANCE AND ECONOMY SHAIKH HAMDAN AS INDICATED IN COMMUNIQUE ISSUED AT CLOSE OF GODE MEETING IN KUWAIT (REF C).

2. HABRUSH CONFIRMED REPORT IN REF C THAT GODE MEETING WAS SHORT AND THAT ISSUES DISCUSSED HAD BEEN GODE PERFORMANCE OVER PAST YEAR, RESULTS OF PARIS CONSULTATIVE GROUP, FUTURE EGYPTIAN NEEDS BASED ON IMF FLATA, AND VARIOUS WAYS TO FINANCE FUTURE GODE ACTIVITIES ALONG LINES HE HAD OUTLINED TO ME WHEN WE MET PREVIOUSLY (REF B). HABRUSH SAID THAT A DECISION HAD BEEN TAKEN NOT REPEAT NOT TO INCREASE CAPITAL OF GODE. HE THOUGHT THIS DECISION WAS FIRM AND IRREVOCABLE

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BECAUSE OF SHARPLY DECLINING B/P POSITION OF GODE MEMBERS. HOWEVER, GODE WOULD ATTEMPT TO HELP EGYPTIANS BY RESECHEDULING PAYMENTS DUE ON GODE CREDITS AND APPLYING REPLAYMENTS TO CREDITS WHICH EGYPT OBTAINED FROM COMMERCIAL BANKING SOURCES.

3. HABROUSH EXPLAINED THAT EGYPT AND GODE COULD GO TOGETHER

TO COMMERCIAL MONEY MARKET TO GET LOANS. EGYPTIAN GOVERNMENT WOULD BE RESPONSIBLE FOR REPLAYMENT BUT MONEY DUE TO BE PAID FOR GODE CREDITS WOULD INSTEAD BE PAID TO BANKS WHICH EXTEND CREDITS TO EGYPTIANS. ASKED HOW MANY FUNDS MIGHT BE RAISED IN 1978 IN THIS MANNER, HABRUSH GUESSED THAT IT MIGHT BE AS MUCH AS \$200 MILLION. TO THIS AMOUNT SHOULD BE ADDED THE \$85 MILLION WHICH UAE HAS PAID THIS YEAR TO COMPLETE ITS GODE CONTRIBUTION PLUS THE APPROXIMATELY \$150 MILLION FROM QATAR. RE QATAR'S FINANCIAL PROBLEM IN MEETING GODE COMMITMENT MENTIONED IN PREVIOUS CONVERSATION, HABRUSH SAID THIS HAD BEEN RESOLVED BY QATAR OBTAINING A SIX TO EIGHT MONTH BRIDGING LOAN FROM AMOUNT DUE TO GODE FROM THE ARAB INVESTMENT COMPANY IN RIYADH. HABRUSH FURTHER NOTED THERE WAS ALSO A SMALL AMOUNT OF UNSPENT MONEY LEFT FROM EARLIER GODE CAPITAL CONTRIBUTIONS SO THAT EGYPTIANS COULD HAVE ACCESS TO SOMETHING OVER \$450 MILLION THIS YEAR. HABRUSH SAID THAT ABD AL AZIZ DUKHAIL, WHO IS SAUDI AND SECRETARY OF GODE, WOULD BE TRAVELING SHORTLY TO CAIRO TO EXPLAIN GODE GOVERNORS' DECISIONS. HE DID NOT ANTICIPATE THAT THERE WOULD BE ANOTHER MEETING OF GODE GOVERNORS SOON.

4. TO MY QUESTION WHETHER THIS RESCHEDULING OPERATION THAT HE HAD DESCRIBED WOULD BE USED FOR PROJECTS, HABRUSH SAID THAT GODE MEMBERS HAD SOUGHT TO STEER GODE MONEY INTO INCOME PRODUCING INVESTMENTS IN EGYPT BUT NOW RECOGNIZED THAT WAS EXCEEDINGLY DIFFICULT. THEREFORE, ANTICIPATED ANY
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REMAINING GODE MONEY PLUS RESCHEDULING PAYMENTS DUE ON GODE CREDITS WOULD BE FOR B/P PURPOSES.

5. UNFORTUNATELY, STATE 181145 SUGGESTING EMBASSY OR USAID OFFICER FROM CAIRO VISIT GODE DONORS TO DISCUSS DIMENSIONS OF US ECONOMIC AID PROGRAM RECEIVED AFTER I HAD LEFT FOR MEETING WITH HABRUSH. DRAWING ON INFORMATION ALREADY AVAILABLE FROM AID DOCUMENTS RECEIVED EARLIER, I HAVE BRIEFED HABRUSH IN GENERAL TERMS ON DETAILS AND MAGNITUDE OF PROGRAM. SINCE UAE IS LIKELY TO BE PASSIVE FOLLOWER RATHER THAN INITIATOR, I FEEL THAT OPPORTUNITY TO BEGIN ESTABLISHING COOPERATIVE RELATIONSHIP ON AID TO EGYPT MATTERS SHOULD FIRST START WITH KUWAIT. AM WILLING TO ASK HABRUSH IF UAEG WOULD WISH VISITOR COME HERE ONCE WE RECEIVE KUWAIT'S REPLY. ALSO FEEL IMPORTANT THAT GODE GET MORE INTO THE ACT AND NOT LEAVE MATTER ENTIRELY IN OUR LAPS (REF B).
DICKMAN.

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NNN

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